7/2/84 U1880 - 3 A

Georgia State University
a unit of the university system of georgia

university plaza
atlanta, georgia 30303

college of business administration
economic forecasting project
404/658-3282

MONTHLY PROJECTIONS
FOR JUNE

Issued June 25, 1984

THE BEST HAS PASSED IN INFLATION AND ECONOMIC ACTIVITY

As expected, the winter surge in food prices was temporary. Although a vegetable crop was lost, a new crop was available by mid-spring. As a result, prices have been falling significantly for the food component of GNP. Similarly, rapid winter increases in fuel oil prices have given way to moderate energy price changes during the spring. After rising 5.1% in the winter quarter, the Consumer Price Index is expected to rise slightly less than 4% during the spring. At the same time, a winter surge in prices of construction materials has given way to significant price softness in lumber products. This explains why the inflation rate, as measured by the GNP deflator, is now expected to be only 2.7% in the spring. (The flash estimate was for 2.8%.) More rapid growth in durables, where the price index is smaller than in other GNP categories, also has aided the GNP deflator at this time.

Unfortunately, the spring quarter will determine the low point of inflation for this cycle. Meat prices will begin increasing in the summer months, although the decline in the hog population was not as severe as had been feared. By the end of this year, possible weakening in the value of the dollar could begine to exert some further upward pressures upon other prices. Energy prices also should begin to intensify while hourly wages, which currently are growing at a cyclical low of only 3.2% at annual rates, should start to accelerate. None of this upward pressure anticipated for inflation suggests that prices will be zooming ahead at near double-digit levels next year. Indeed, only external supply shocks have been able to increase inflation by a half dozen percentage points within a year. For that reason, forecasts that inflation will be approaching double digits by the middle of 1985 have little merit. However, inflation should be accelerating, with our projections suggesting that the deflator will be growing about 6% in the first half of 1985.

In the meantime, this slow rate of inflation has sharply increased the purchasing power of consumers, who are experiencing double-digit earnings gains on their property incomes and are also getting above inflation gains on their wages. This strength in consumer purchasing has led to significant increases in durable purchases and has also reversed a declining trend in purchases of

nondurables. Indeed, meat consumption appears to be more price responsive than previous models had suggested. When inflation begins to intensify in the summer months, this consumer support will begin to diminish. As single-family housing activity already is slowing under the burdens of high interest rates, significantly slower rates of economic growth will develop. During the next four quarters, our projections show that real GNP will be growing about 3.5%.

Although some economists continue to talk about the possibility of a recession as a result of the high rates of interest, significant gains in orders for durable goods, especially in the machinery categories, suggest that fixed investment will be growing at double-digit real rates of gain well into 1985. Although nonresidential construction appears to be more interest-sensitive than machinery purchases in the short run, that sector also will be growing near double-digits well into 1985. For those reasons, sufficient economic strength will be forthcoming to prevent the development of a recession, at least until an anticipated squeeze in profits early in 1985 begins to diminish the vigor of fixed investments later that year.

Interestingly, the financial markets greeted the second quarter flash estimates with concern, although all the upward revision in real economic activity was the result of downward revisions in inflation from previous anticipations. Indeed, the growth of nominal GNP was in line with anticipations. Apparently, the financial markets are either concerned that rapid real economic growth must lead to significantly higher inflation rates, despite the absence of any evidence of intensifying inflation in the Producer Price Index or in the hourly earnings index, or the rapid growth will lead to policy restraint by the Federal Reserve. Statements from Federal Reserve officials suggest that this latter interpretation of the market's response is more realistic. Given the fact that money growth now is exceeding the Federal Reserves targets, a case can be made for modest increases in Federal Reserve restraint. However, rapid reserve growth and substantial gains in monetary aggregates suggest that the markets are more concerned about possible changes in Federal Reserve policy than they are reflecting changes that already have materialized.

Quarterly Profile of GNP

	1984-I	1984-II	1984-III	1984-IV	1985-I	1985-II
Real	9.7	5.9	4.3	3.3	2.9	3.1
Price	3.9	2.7	5.0	5.3	6.3	5.7
Nominal	13.9	8.8	9.5	8.8	9.4	9.0

Monthly Statistical Highlights
for June 1984

Payroll employment +164,000; Index of Hours Worked +0.4%; Household employment -223,000; Civilian Unemployment Rate 7.5%; Personal Income +0.8%; Savings Rate 5.6%; Personal Consumption +0.4%; Retail Sales +0.6%; Auto Sales

10.5 million; Housing starts +0.6%; Housing Permits -2.4%; Construction expenditures -0.1%; Business inventories +0.9%; Orders for durable goods -0.6%; Orders for nondefense capital goods -4.1%, Industrial production +0.6%; CPI +0.4%; PPI +0.2%; Consumption deflator +0.5%; Leading Indicators +0.4%; Real GNP +3.7%; M1 +14.4%; M2 11.2%.

Monthly Statistical Highlights
for July 1984

Payroll employment +242,000; Index of Hours Worked +0.2%; Household employment +260,000; Civilian Unemployment Rate 7.4%; Personal Income +0.7%; Savings Rate 5.6%; Personal Consumption +0.7%; Retail Sales +0.8%; Auto Sales 10.7 million; Housing starts -1.2%; Housing Permits -2.5%; Construction expenditures +0.0%; Business inventories +0.8%; Orders for durable goods +1.4%; Orders for nondefense capital goods +0.9%; Industrial production +0.3%; CPI +0.5%; PPI +0.4%; Consumption deflator +0.5%; Leading Indicators +0.2%; Real GNP 3.7%; M1 8.0%; M2 11.2%.

Commentary

Employment - Although payroll employment expanded 232,000 in May, The Employment Situation report indicated more weakness than had been anticipated in our previous Monthly Projections. The index of hours worked, which was anticipated to be unchanged, actually showed a 0.2% decline. However, the hourly earnings index also showed a 0.2% decline, indicating that no significant inflationary pressures currently are developing in the labor markets. Although the household estimate of employment surged by 886,000, such a change was discounted as being influenced by seasonal patterns during May. However, some members of the Bureau of Labor Statistics speculated that more strength probably developed in May than was revealed by the index of hours worked. Subsequent reports on industrial production, personal income, and the flash estimates of GNP for the second quarter indicate that The Employment Situation probably understated strength in the labor markets. For that reason, the workweek is expected to expand slightly in June. Although payroll employment is expected to slow, as retail payrolls and construction payrolls both are expected to show modest weakness, the extended workweek should more than compensate for that sign of slowing. Moreover, the especially favorable performance on hourly earnings is not expected to be maintained into the summer months. With hours expanding at a 4.5% annual rate in the private economy, there definitely has been a significant slowing in productivity gains during the second quarter. After increasing a revised 4.5% during the winter, productivity is expected to show less than a 1.5% gain in the spring. However, the especially low gains in wage costs, suggesting that hourly compensation is expanding only at a 4% annual rate, indicate that unit labor costs are running about the same 2.5% that developed in the initial quarter of 1984.

Personal Income and Outlays - Stronger gains in wages and salaries than were justified by the employment report provided the first inkling that activity would be stronger than employment conditions suggested. A slight acceleration in interest earnings added to the May advance in personal income.

A 1.1% increase in personal outlays during May indicated that the previously reported 0.2% expansion in retail sales was incorrect. Although the retail sales estimates showed only a 0.7% gain in auto dealer sales, the outlays

figures show a 4.3% increase in expenditures on durables, which was much more consistant with the sharp rebound in unit auto sales. That surge in durable purchases lowered the saving rate to only 5.2% in May. More modest gains in consumer spending should be expected for June. Already, automobile sales for the first ten days of June indicated sales dropped sharply. Indeed, real consumer spending in June currently is projected to decline slightly following exceptionally strong gains in April and May.

Perhaps the May retail sales estimates will be revised sharply upward. Certainly, the large decline in unit auto sales expected for June is not consistent with the increase in dollar sales currently projected. However, our estimates suggest that the June estimates for retail sales are consistent with prevailing conditions. The May increases, on the other hand are sharply below what those conditions would imply. Therefore, retail sales in June may not show a significant gain, if the May retail sales figures are revised sharply upward, as all evidence suggest that they should.

Construction - Single-family starts are beginning to show downward movement under rising interest rate pressures. The effective mortgage rate in May was still less than 14%. By the end of June, the effective mortgage rate was nearly 14.75%. Therefore, further sharp declines in single-family starts should be anticipated. However, the number of building permits available suggests that a further plunge in single-family starts may not develop until mid-summer. Those permits also suggest that no significant further declines should be anticipated for multi-family units. Although multi-family activity appears to be far in excess of levels that can be justified by economic need, demand by investment syndicates remains strong. Later this year, however, significant weakness is expected to development in the multi-family sector.

Spending on private nonresidential construction remains quite vigorous. Although the rate of growth is expected to slow later in 1984 and in 1985, private nonresidential construction still is expected to advance 11.2% in the year ending in June 1985. Public construction also is expected to show significant gains following a slight moderation of activity during April. The release of highway funds is the major impetus for this surge. Residential construction may show a modest rebound in May, but the trend is definitely downward. Although declines are not now expected to be as steep as anticipated during the May forecast, they should be largely uninterrupted well into 1985.

A sharp slowing in the construction cost index during April is expected to be the beginning of significant price moderation through the summer months. Prices then will begin intensifying late in 1984, although the projected weakness in construction will limit the degree of construction costs inflation. In the 12 months ending in June 1985 the construction deflator is expected to increase less than 4%.

Business Activity - Business inventories continued to expand at very rapid rates in April, showing a gain of 1.5%. This increase was the result of a 1.1% advance by manufacturers, a 1.7% advance by wholesalers and a strong 2.1% gain by retailers. Now that auto assembly plants are being closed for downsizing of intermediate cars, inventories at the wholesale and retail levels should grow much more slowly. For example, domestic sales of automobiles were 8.6 million units in May while domestic production was at a 7.7 million rate. Weakness in other categories, however, should generate increasing inventories for nonauto

durables and some nondurables. Wholesalers almost certainly will be sharply reducing their inventory gains in May and June, but the manufacturing sector is expected to continue pursuing a relatively sharp buildup. Nevertheless, inventory gains in May and June are expected to be slower than the April surge.

The 2.6% gain in shipments of durable goods during May is much sharper than the gain in durable production. Thus, inventories at the manufacturing level probably showed relatively small gains. Surprisingly, defense shipments continued to show little change. Apparently, production delays are slowing defense shipments at the present time. Those delays are expected to diminish significantly in subsequent months. Shipments of nondefense capital goods, however, rebounded sharply following a surprising drop in April. As orders surged by 10.6% in this sector, further substantial gains in shipments are expected. Indeed, a significant upward revision in spending for nondefense capital goods appears to be required.

Industrial production increased 0.4% in May as a result of no change for consumer goods, automobile production declined slightly, a 0.5% gain in production of industrial materials, and a 0.9% increase in production of business equipment. Further sharp gains are expected in business equipment, while industrial materials may show even slower gains in June as a result of a more significant decline in production of construction materials than the 0.1% decline registered in May. On the other hand, no further reductions in automobile production are anticipated in the next few months. When the downsizing remodeling is completed in August, a significant increase in production of consumer goods is anticipated. With capacity continuing to grow about 2.5%, these gains in industrial production no longer are of the magnitude sufficient to increase utilization substantially.

Prices - Although inflation has been well contained during the second quarter, largely as a result of declines in food prices, such favorable conditions are not expected to persist. Indeed, prices of consumer nondurables are expected to reach levels forecast in May by the middle of 1985 despite lower prices than in that forecast at the present time. Much of this gap will be closed in the latter half of 1984 when food prices are expected to rebound significantly.

Miscellaneous - The merchandise trade balances probably reached their maximum rate of deterioration in April, when a surge in petroleum imports and a $300 million gain in automobile imports at the beginning of the orderly marketing arrangement year led to exceptionally strong imports. The fundamentals that have caused trade balances to deteriorate have not yet been reversed. The dollar remains unusually strong while foreign economies are only gradually intensifying their rates of growth. For that reason, continued high merchandise trade balance deficits appear likely well into the fall of 1984. Some improvement then is anticipated, although declining currency values at that time will sharply limit the degree to which the trade balances can fall before the end of 1985.

Although the sharp decline in hours worked and in the stock market are exerting significant downward pressures upon the leading indicators, a surge in the money measure and strong rebounds in orders for plant and equipment and consumer goods should generate another modest increase in the leading indicators for May.

Financial Markets

The deterioration in bond prices during June cannot be totally the result of higher real economic activity than originally anticipated. Remember, nominal GNP was not revised upward. Thus, the demand for money should not have been significantly increased as a result of spending conditions. Nevertheless, money growth is currently excessive. Rapid increases in available reserves suggest that demand conditions are responsible for this strong growth. Apparently, the movement toward liquidity that began in May on the heels of concern about Continental Illinois continues. Although currency demand is rising, there is little evidence to suggest that this increased liquidity demand is at the expense of bank instruments. To be sure, the spread between 3-month commercial paper and 90-day CDs has widened slightly, possibly reflecting some concerns about banking institutions. However, this flight to liquidity appears to be evenly balanced among all types of short-term assets, including bank instruments.

Because the economy is growing rapidly, the Federal Reserve probably will engage in some restraint to slow the rapid growth of monetary aggregates once this unusual portfolio demand for money subsides. (Just think what would have happened to financial markets in the last two months if the Federal Reserve was following a fixed rule that could not adjust to changing portfolio needs.) As short-term interest rates already have increased significantly on the basis of this increased portfolio demand, little further increases in rates should be required when the Federal Reserve moves toward restraint. However, a continuation of Federal Reserve restraint early in 1985 could coincide once again with shifting portfolio desires. Thus, interest rates are expected to once again move up sharply at that time. Because portfolio shifts may very well be more responsible for the interest rate pressures than the transactions demand for funds, long-term interest rates should move up almost as sharply as short-term rates. Although a clear pattern of peaking interest rates cannot yet be determined, rates are expected to begin their downward trend early in the second half of 1985.

Equity Markets - Although real economic activity expanded almost 6% at annual rates in the spring, profit gains were surprisingly small. Our estimates show that wage compensation increased 9.5% at annual rates, above the 8.8% estimated expansion in nominal GNP. Interest income in the national income accounts expanded at more than a 13% annual rate. Fortunately, a decline in the inventory valuation adjustment has increased the quality of profits being generated during the quarter. Genuine profits, operating profits less tax liabilities, appear to have increased about 4%. Unfortunately, long-term interest rates increased 8%, suggesting that market values of equity ownership should have fallen about 4%. In fact, the New York composite declined 2.5% between the two quarters. Thus, the prevailing stock market weakness has definitely been justified by increases in interest rates. During the third quarter an acceleration in nominal GNP should be sufficient to meet a modest acceleration in the growth of wage income and interest income. However, an acceleration in the inventory valuation adjustment should lead to a reduction in the quality of earnings. Genuine profits should grow by no more than 3%. Although interest rates are expected to show little change during the summer months, at current levels they already average 4% higher than in the second quarter. Under such circumstances, gains in equity values should be limited. For that reason, a summer rally carrying only to 1200 on the Dow would be a reasonable investment objective. After that time, our analysis would suggest

that equity values once again will be under downward pressures, reaching a low probably during the spring of 1985.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	91930	92391	110.1	110.3	103190	103190	8.0	8.0	158.3	158.4
February	92347	92846	110.4	110.9	103892	103892	7.8	7.8	158.2	158.5
March	92490	93058	109.8	110.9	104140	104140	7.8	7.8	158.7	159.1
April	92773	93456	110.4	112.1	104503	104402	7.7	7.8	159.5	159.9
May	92885	93688	110.7	111.9	104667	105288	7.6	7.5	160.1	159.6
June	92996	93854*	110.9	112.2*	104832	105065*	7.6	7.5*	160.8	160.3*
July	93127	94096	111.1	112.4	104949	105325	7.6	7.4	161.4	161.0
August	93362	94300	111.3	112.6	105172	105593	7.5	7.4	161.9	161.6
September	93598	94547	111.5	112.8	105394	105889	7.5	7.2	162.5	162.3
October	93742	94715	111.7	113.0	105547	106181	7.4	7.1	163.1	162.9
November	93865	94962	111.9	113.2	105678	106458	7.4	7.0	163.8	163.6
December	94015	95130	112.0	113.4	105839	106641	7.4	7.0	164.6	164.2
January 1985	94226	95294	112.3	113.5	106091	106852	7.4	6.9	165.2	164.9
February	94389	95462	112.5	113.7	106311	107094	7.4	6.9	166.0	165.6
March	94543	95546	112.8	113.8	106537	107234	7.3	7.0	166.8	166.3
April	94698	95795	113.0	114.0	106703	107519	7.3	6.9	167.5	167.1
May	94843	95963	113.1	114.2	106873	107726	7.2	6.9	168.3	167.9
June	95002	96128	113.3	114.3	107048	107990	7.2	6.8	169.3	168.6

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	2.902	2.907	1.748	1.749	118.9	119.4	2.483	2.488	2.364	2.368
February	2.923	2.928	1.757	1.757	152.6	158.4	2.501	2.506	2.349	2.348
March	2.949	2.944	1.764	1.763	188.4	167.3	2.526	2.521	2.337	2.354
April	2.955	2.961	1.777	1.785	157.5	145.1	2.534	2.535	2.376	2.390
May	2.965	2.979	1.785	1.794	145.8	133.4	2.539	2.549	2.393	2.415
June	2.974	3.003*	1.797	1.807*	136.1	145.1*	2.545	2.569*	2.409	2.424*
July	2.999	3.025	1.806	1.818	137.3	145.8	2.564	2.587	2.427	2.441
August	3.025	3.046	1.816	1.828	143.7	144.1	2.584	2.605	2.440	2.461
September	3.051	3.066	1.825	1.839	149.2	142.1	2.605	2.620	2.455	2.478
October	3.068	3.087	1.835	1.849	148.3	141.5	2.619	2.637	2.471	2.495
November	3.085	3.106	1.846	1.860	142.6	138.0	2.632	2.651	2.489	2.513
December	3.101	3.126	1.857	1.870	139.3	138.1	2.644	2.667	2.507	2.529
January 1985	3.122	3.146	1.871	1.885	137.1	139.2	2.664	2.683	2.527	2.544
February	3.149	3.168	1.883	1.896	143.7	144.5	2.686	2.703	2.543	2.558
March	3.174	3.190	1.898	1.906	154.5	148.5	2.708	2.722	2.555	2.573
April	3.198	3.214	1.909	1.919	156.6	152.2	2.730	2.744	2.573	2.592
May	3.217	3.236	1.919	1.931	152.7	152.8	2.745	2.762	2.592	2.609
June	3.240	3.255	1.932	1.941	154.5	152.3	2.764	2.778	2.611	2.626

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	2294.7	2299.0	322.4	322.1	850.0	852.5	1122.3	1124.4	1053.9	1056.
February	2278.6	2277.1	314.3	312.7	842.2	839.6	1122.0	1124.9	1047.2	1045.
March	2268.3	2282.5	294.2	310.7	841.0	837.4	1133.1	1134.5	1039.3	1043.
April	2305.4	2318.6	311.0	317.8	848.8	857.6	1145.6	1143.3	1052.8	1058.
May	2321.5	2343.1	312.1	331.4	854.5	861.6	1154.9	1150.1	1055.1	1068.
June	2336.9	2351.4*	313.0	327.1*	860.0	866.9*	1163.9	1157.4*	1057.2	1067.
July	2354.2	2368.0	315.6	329.8	866.0	873.7	1172.6	1164.5	1060.6	1070.
August	2366.8	2387.2	317.6	334.5	868.1	880.6	1181.1	1172.1	1061.9	1074.
September	2379.8	2403.7	319.7	336.7	870.8	887.2	1189.3	1179.8	1062.4	1077.
October	2396.3	2420.8	321.6	338.8	877.3	893.4	1197.4	1188.6	1065.8	1079.
November	2413.2	2437.8	323.4	339.7	883.2	899.8	1206.6	1198.3	1069.5	1082.
December	2429.7	2453.2	325.3	341.2	888.9	904.4	1215.5	1207.6	1071.6	1084.
January 1985	2449.0	2467.6	329.4	340.3	895.0	910.5	1224.6	1216.8	1075.5	1085.
February	2464.7	2481.7	332.1	341.4	898.5	915.6	1234.1	1224.7	1079.4	1086.
March	2476.4	2496.2	330.0	341.2	902.9	921.5	1243.5	1233.5	1079.5	1088.
April	2493.7	2513.9	332.6	343.9	908.4	927.3	1252.7	1242.7	1082.3	1091.
May	2511.6	2530.8	334.7	346.8	915.6	933.1	1261.3	1250.9	1085.5	1093.
June	2529.8	2546.9	338.4	346.9	921.5	940.4	1269.9	1259.6	1088.7	1095.

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	106.16	106.60	14.42	15.09	11.2	11.2	69.85	69.48	21.89	22.03
February	105.98	105.48	14.62	14.93	10.6	10.6	69.31	68.57	22.05	21.98
March	103.40	103.87	14.82	14.80	10.0	10.0	68.15	68.57	20.43	20.51
April	105.69	107.10	14.69	15.31	10.3	10.1	69.50	69.78	21.50	22.01
May	106.27	107.29	14.63	15.21	10.4	11.0	69.97	69.89	21.67	22.19
June	106.87	107.97*	14.60	15.27*	10.5	10.5*	70.42	70.32*	21.85	22.38*
July	107.67	108.83	14.73	15.35	10.6	10.7	70.89	70.87	22.05	22.61
August	108.06	109.93	14.81	15.40	10.6	10.9	71.05	71.43	22.20	23.10
September	108.54	110.72	14.89	15.42	10.5	11.0	71.29	71.97	22.36	23.33
October	109.36	111.46	14.96	15.50	10.6	11.0	71.86	72.47	22.54	23.49
November	110.06	112.09	15.04	15.55	10.6	10.9	72.35	72.99	22.67	23.55
December	110.76	112.63	15.12	15.61	10.6	10.9	72.81	73.36	22.80	23.66
January 1985	111.72	113.03	15.20	15.68	10.8	10.8	73.26	73.86	23.26	23.49
February	112.32	113.56	15.28	15.74	10.9	10.8	73.55	74.27	23.49	23.55
March	112.44	114.02	15.36	15.83	10.7	10.7	73.91	74.75	23.17	23.44
April	113.17	114.80	15.45	15.93	10.7	10.8	74.36	75.22	23.36	23.65
May	114.00	115.61	15.54	16.05	10.7	10.9	74.95	75.69	23.51	23.87
June	114.92	116.21	15.63	16.13	10.8	10.8	75.43	76.28	23.86	23.80

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	260.6	260.9	99.22	99.44	24.64	25.09	23.93	24.09
February	263.8	264.1	101.83	102.35	26.84	27.02	24.05	24.16
March	265.4	267.4	103.45	105.18	25.88	26.86	24.26	25.24
April	267.9	270.4	100.86	98.32	25.52	25.89	24.32	24.80
May	269.2	272.1*	101.25	101.55	25.65	28.64	24.55	25.90
June	270.6	274.3	102.67	100.96*	26.02	27.48*	24.78	26.54*
July	272.8	276.6	103.15	102.42	26.21	27.73	25.10	26.78
August	274.9	279.3	103.18	104.46	26.39	28.19	25.27	27.09
September	276.6	281.3	105.68	106.27	26.86	28.65	25.43	27.41
October	278.6	283.8	106.12	107.48	27.15	29.03	25.65	27.89
November	281.1	286.2	107.28	108.26	27.49	29.46	25.86	28.02
December	283.3	288.9	105.63	109.43	27.18	29.22	26.12	28.43
January 1985	286.1	291.2	105.49	111.42	27.26	29.83	26.41	28.76
February	288.5	293.8	106.26	112.67	27.55	30.26	26.56	29.02
March	290.4	296.0	107.15	110.83	27.65	30.36	26.79	29.18
April	292.7	298.1	109.24	113.16	27.92	30.78	26.95	29.47
May	295.6	299.9	108.55	114.05	27.86	30.97	27.15	29.73
June	298.0	302.0	109.03	115.36	27.99	31.32	27.36	30.04

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	517.8	518.8	5.64	5.72	158.1	158.5	79.9	80.1
February	527.0	527.2	5.82	5.85	159.9	160.0	80.7	80.7
March	531.1	532.9	5.95	5.73	161.1	160.8	81.2	80.9
April	536.9	540.9	6.01	5.99	161.2	162.5	81.1	81.5
May	541.2	544.2*	6.05	5.75	161.5	163.2	81.2	81.7
June	546.4	549.3	6.09	5.94*	161.8	164.2*	81.2	82.0*
July	552.7	553.9	6.27	6.07	162.2	164.7	81.3	82.1
August	557.8	559.3	6.32	6.15	162.7	165.4	81.4	82.3
September	562.1	563.6	6.38	6.27	163.3	166.0	81.5	82.4
October	567.5	569.2	6.49	6.35	163.6	166.5	81.6	82.5
November	573.2	574.0	6.63	6.45	163.9	167.0	81.6	82.6
December	578.0	579.4	6.78	6.56	164.3	167.6	81.7	82.7
January 1985	584.6	583.7	6.87	6.69	165.0	168.1	81.9	82.8
February	589.4	588.9	6.96	6.78	165.7	168.7	82.1	82.9
March	593.8	594.2	7.05	6.89	166.4	169.2	82.3	83.0
April	599.2	598.9	7.24	7.03	166.9	169.7	82.5	83.1
May	604.7	602.6	7.36	7.15	167.3	170.4	82.6	83.2
June	610.0	607.0	7.49	7.25	167.5	171.0	82.6	83.4

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are expectations.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	1.915	1.980	1.241	1.301	1.770	1.817	276.0	275.7	172.6	172.4
February	2.197	2.231	1.360	1.447	1.941	1.946	295.0	292.2	184.0	182.3
March	1.738	1.662	1.173	1.071	1.700	1.727	288.3	302.0	179.1	187.1
April	1.908	1.990	1.205	1.191	1.715	1.758	292.8	302.5	181.4	186.9
May	1.766	1.782	1.148	1.093	1.616	1.735	291.4	306.2*	180.2	188.8
June	1.705	1.793*	1.102	1.067*	1.586	1.694*	290.0	306.0	178.9	188.3
July	1.758	1.771	1.115	1.042	1.595	1.652	293.3	306.0	180.4	187.8
August	1.706	1.748	1.078	1.006	1.562	1.635	296.1	305.9	181.5	187.3
September	1.666	1.712	1.037	1.009	1.483	1.593	298.5	306.8	182.5	187.4
October	1.659	1.655	1.039	0.982	1.497	1.569	298.8	307.2	182.2	187.1
November	1.675	1.638	1.045	0.976	1.516	1.544	299.0	307.5	182.0	186.7
December	1.669	1.601	1.043	0.955	1.522	1.527	299.4	307.5	181.8	186.2
January 1985	1.666	1.605	1.026	0.937	1.516	1.508	301.6	307.5	182.3	185.8
February	1.649	1.568	1.001	0.904	1.486	1.476	303.9	308.2	182.9	185.7
March	1.632	1.547	0.977	0.889	1.485	1.432	306.3	308.5	183.4	185.2
April	1.622	1.508	0.992	0.882	1.467	1.403	307.4	309.4	183.4	185.0
May	1.589	1.487	0.969	0.865	1.426	1.392	308.5	309.0	183.3	183.9
June	1.578	1.469	0.953	0.868	1.417	1.384	309.8	309.0	183.2	183.1

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	108.3	108.1	50.7	50.7	117.0	116.9
February	114.3	110.9	52.2	52.8	128.5	128.5
March	111.6	113.5	51.5	55.2	125.2	133.3
April	113.2	116.2	53.0	54.3	12636	131.9
May	113.5	117.8*	53.4	55.8*	124.5	132.6*
June	113.7	118.3	53.9	56.1	122.4	131.6
July	115.8	119.0	54.7	56.5	122.8	130.5
August	117.7	119.8	55.5	56.9	122.9	129.2
September	119.7	120.5	56.3	57.6	122.5	128.7
October	120.6	121.2	56.6	58.0	121.6	128.0
November	121.4	122.6	56.9	58.5	120.7	126.4
December	122.3	123.8	57.2	58.9	119.9	124.8
January 1985	123.8	125.2	57.5	59.2	120.3	123.1
February	125.3	126.5	57.8	59.5	120.8	122.2
March	126.7	127.8	58.0	59.8	121.6	120.9
April	127.9	129.2	58.6	60.2	120.9	120.0
May	129.0	130.4	59.1	60.5	120.3	118.1
June	130.1	131.6	59.7	60.9	120.0	116.5

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	305.8	305.8	289.1	289.1	319.2	319.1	220.87	220.52
February	306.9	306.9	290.2	290.2	320.4	320.4	220.24	220.23
March	307.4	307.6	291.5	291.6	321.9	321.9	221.08	221.06
April	308.6	309.1	292.3	291.7	322.9	322.5	222.23	221.53
May	309.9	309.7	293.1	291.6	324.0	323.3	223.29	221.86
June	311.2	310.6*	294.0	292.3*	325.1	323.6*	224.35	222.82
July	312.7	312.0	295.7	293.5	326.5	324.2	225.33	223.86
August	314.2	313.3	297.3	295.0	327.9	325.2	226.19	224.81
September	315.6	314.8	299.0	296.5	329.2	326.5	227.23	225.74
October	317.1	316.2	300.4	297.7	331.3	328.6	228.14	226.75
November	318.7	317.6	301.7	298.9	332.4	329.8	228.95	227.79
December	320.3	319.1	303.0	300.4	333.6	331.1	230.03	228.87
January 1985	321.7	320.7	304.5	301.5	335.0	332.8	231.53	230.34
February	323.1	322.0	306.0	302.7	336.4	334.1	232.21	231.27
March	324.6	323.5	307.5	304.2	338.1	335.4	233.28	232.39
April	325.9	324.9	308.6	305.4	339.3	336.7	234.38	233.38
May	327.2	326.2	309.7	306.9	340.4	338.0	235.40	234.51
June	328.5	327.9	310.9	308.5	341.5	339.5	236.45	235.71

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	217.7	217.7	181.6	181.2	218.0	217.9	230.7	230.8	159.9	159.9
February	217.6	217.9	180.5	181.1	217.2	217.1	231.2	231.6	160.3	160.3
March	218.3	218.7	179.4	180.9	217.6	218.1	231.8	232.5	161.0	161.4
April	219.0	219.0	180.9	181.1	218.1	217.8	233.0	233.6	161.4	161.9
May	220.0	219.2*	181.6	181.5*	218.9	217.6*	234.3	234.6*	161.7	162.2*
June	221.0	220.2	182.2	182.2	219.7	218.3	235.6	235.7	162.1	162.5
July	222.0	221.3	182.7	183.0	220.9	219.3	236.5	236.9	162.6	162.9
August	222.9	222.2	183.2	183.5	222.0	220.4	237.4	238.0	163.1	163.3
September	224.0	223.2	183.8	184.2	223.3	221.3	238.6	239.1	163.6	163.7
October	224.8	224.2	184.4	184.8	223.9	222.3	239.7	240.3	164.0	164.2
November	225.6	225.2	185.0	185.3	224.5	223.4	240.7	241.4	164.3	164.7
December	226.7	226.3	185.6	186.1	225.2	224.4	241.8	242.6	164.7	165.1
January 1985	227.7	227.4	186.3	186.8	226.0	225.4	242.9	243.8	165.4	165.5
February	228.3	228.3	187.0	187.4	226.9	226.3	244.0	244.9	166.2	166.0
March	229.4	229.4	187.7	188.0	227.8	227.5	245.1	246.0	167.0	166.6
April	230.4	230.4	188.3	188.5	228.8	228.5	246.3	247.1	167.6	167.3
May	231.4	231.4	188.8	189.3	229.7	229.5	247.5	248.3	168.3	168.0
June	232.4	232.6	189.4	190.0	230.6	230.7	248.8	249.5	169.1	168.7

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	-8.26	-8.26	164.7	165.0	3531	3532	1599	1602	11.7	15.2
February	-8.93	-8.93	165.9	167.1	3549	3575	1611	1610	8.6	10.0
March	-9.10	-9.05	165.0	166.9	3544	3573	1603	1616	12.4	15.8
April	-8.96	-10.92	165.3	167.8	3583	3604	1612	1627	13.9	7.9
May	-8.86	-10.43*	166.0	168.4*	3601	3623	1613	1633	15.7	9.3
June	-8.75	-9.96	167.1	169.0	3618	3650	1613	1638	17.5	12.4
July	-8.89	-9.93	167.8	169.3	3651	3678	1620	1643	19.6	15.6
August	-9.21	-10.41	168.5	169.0	3673	3708	1624	1649	20.5	18.3
September	-9.53	-10.26	169.2	169.4	3702	3742	1629	1658	21.4	16.5
October	-9.40	-9.85	169.0	169.7	3726	3765	1633	1660	21.7	16.2
November	-9.45	-9.62	168.7	169.6	3747	3789	1637	1663	21.4	18.9
December	-9.48	-9.77	169.2	170.1	3774	3816	1641	1667	20.2	15.6
January 1985	-9.46	-9.68	169.8	170.6	3813	3849	1647	1671	19.9	19.4
February	-9.41	-9.63	170.3	171.1	3837	3874	1652	1675	19.5	19.1
March	-9.36	-9.75	170.7	171.5	3866	3905	1657	1680	19.1	18.6
April	-9.53	-9.92	170.5	171.9	3894	3934	1661	1686	18.3	19.0
May	-9.62	-9.84	171.1	170.9	3920	3958	1665	1688	18.0	19.7
June	-9.70	-9.67	171.5	171.6	3950	3986	1671	1691	18.2	20.3

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	204.1	204.1	530.0	530.0	2206.1	2206.8	9.56	9.56	9.01	9.02
February	205.2	205.2	532.9	532.9	2222.1	2222.5	9.59	9.59	9.18	9.18
March	207.8	207.5	535.2	535.2	2228.5	2229.9	9.91	9.91	9.66	9.66
April	209.0	208.5	535.0	535.3	2241.6	2242.2	10.42	10.29	9.73	9.84
May	210.1	209.8	539.3	541.1	2253.9	2259.4	10.61	10.32	9.78	10.31
June	211.2	212.2*	543.6	547.2*	2268.0	2279.5*	10.56	11.27*	9.82	10.69
July	212.4	213.3	546.3	550.7	2286.1	2299.8	10.62	11.17	9.85	10.76
August	213.6	214.4	549.6	554.9	2306.7	2323.1	10.59	11.43	9.83	10.93
September	214.8	215.6	552.9	558.6	2325.8	2343.2	10.77	11.52	10.11	10.98
October	215.9	216.5	555.7	561.2	2340.6	2361.2	10.85	11.46	10.21	10.75
November	217.0	217.6	558.6	564.5	2359.9	2380.9	11.07	11.78	10.29	11.15
December	218.1	218.3	562.1	566.9	2368.7	2398.2	11.17	12.06	10.33	11.28
January 1985	219.4	219.5	565.4	570.5	2390.5	2420.6	11.05	12.21	10.15	11.43
February	220.7	220.8	569.0	573.0	2414.5	2438.5	11.09	12.38	9.97	11.60
March	222.0	221.9	572.3	575.6	2439.7	2455.7	11.14	12.48	10.09	11.67
April	223.2	223.0	575.6	577.6	2459.2	2471.6	11.35	12.69	10.19	11.75
May	224.4	224.2	579.0	580.9	2470.9	2491.9	11.43	12.73	10.25	11.73
June	225.6	225.3	582.1	584.0	2482.5	2512.6	11.66	12.68	10.40	11.64

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	12.20	12.20	9.58	9.68	9.20	9.20	9.42	9.42	11.00	11.00
February	12.08	12.08	9.04	9.64	9.32	9.32	9.54	9.54	11.00	11.00
March	12.57	12.57	9.41	9.94	9.82	9.83	10.08	10.08	11.21	11.21
April	12.65	12.81	9.49	10.19	10.26	10.18	10.46	10.41	12.00	11.93
May	12.73	13.28	9.57	10.63	10.33	10.65	10.55	11.11	12.00	12.39
June	12.80	13.67*	9.66	10.67*	10.35	11.12*	10.58	11.54*	12.00	12.50*
July	13.09	13.75	9.95	10.68	10.43	11.21	10.63	11.87	12.00	12.96
August	13.22	13.84	10.11	10.80	10.58	11.38	10.70	11.92	12.00	13.00
September	12.84	13.72	9.76	10.63	10.75	11.55	10.89	12.04	12.48	13.00
October	13.03	13.67	9.97	10.53	10.92	11.67	11.04	12.11	12.50	13.00
November	13.20	13.79	10.16	10.73	11.12	11.76	11.26	12.20	12.50	13.27
December	13.04	14.03	10.02	11.00	11.20	12.05	11.38	12.43	12.62	13.50
January 1985	12.88	14.17	9.85	11.12	11.08	12.19	11.29	12.56	13.00	13.68
February	12.96	14.29	9.97	11.29	11.02	12.33	11.24	12.73	13.00	14.00
March	13.04	14.46	10.07	11.45	11.05	12.56	11.32	12.89	13.00	14.00
April	13.20	14.57	10.23	11.58	11.26	12.75	11.56	13.07	13.00	14.23
May	13.26	14.55	10.34	11.50	11.38	12.68	11.69	13.15	13.00	14.50
June	13.36	14.61	10.49	11.52	11.49	12.62	11.74	13.10	13.27	14.50

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.